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386,000 tons of goods valued at 141,900,000,000 marks to East Germany, including approximately 50,000 tons of grain and large quantities of iron pyrites. While the significance of these shipments for the East German economy must not be underestimated, it should also be remembered that, the USSR in order to satisfy the requirements of her occupation forces and her reparations demands, has helped herself, free of charge, to quantities of the Soviet Zone's food and industrial output far in excess of her compensatory shipments to east Germany. According to Statistische Praxis, 42 percent of East Germany's 1948 imports were from the Soviet Union, compared with 1.5 percent in 1947. The fact that these shipments were evaluated at a very high rate is felt to have considerable bearing on this sharp rise.(1)

The USSR's share in the total exports of Soviet Zone Germany amounted to 33.5 percent for 1948 (prior to this all East German shipments had been regarded as reparations)(1), and rose to 45 percent for the first half of 1949.(2)

This exchange of goods is based on agreements between the USSR and East German trade organizations and follows the Soviet Zone's foreign trade policy of exporting chiefly finished products and importing raw materials and foodstuffs. In addition, the USSR has supplied several complete rolling mills, which have been used to equip at least four rolling mill installations in the Soviet Zone.(2)

During the first 5 months of 1949, East Germany imported 22,000 tons of apatite concentrates from the Soviet Union, in addition to black coal, coke, ores, copper, lead, nickel, aluminum, mercury, natural rubber, phosphate, flax, hemp, cotton, wool, etc. Figures for Land Sachsen for the first half of 1949 indicate that this Land received 15,000 tons of barley and nearly 5,000 tons of edible fats from the USSR during that period. The Sachsen Cast Steel Trade Company and the Dresden Iron Dealers, two branches of the people-owned iron industry in Sachsen, received more than 3,600 tons of steel and rolling mill products from the Soviet Union during the second quarter of 1949.(2)

Twenty percent of the deliveries from the Soviet Union are foodstuffs, such as grain, butter and other edible fats, and canned fish. During the first 5 months of 1949, the Soviet Union furnished 40,000 tons of grain and 6,800 tons of butter. In the spring, there was also a delivery from the USSR of 1,000 tractors, 540 trucks, and disk plows and harrows for the MAS (Agricultural Machine-Lending Stations) and for agricultural enterprises.(2)

Deliveries from East Germany to the Soviet Union were 94 percent finished products or semimanufactures, including textile machinery, metal-working machinery, electrical equipment of all types, cameras and other optical equipment, office machines, sewing machines, porcelain, glassware, textiles and chemicals, as well as limited quantities of sugar.(2)

A similar intensification of import-export activities between East Germany and her other Eastern trade partners can be noted:

Poland

During the blockade, Poland was Soviet Zone Germany's most important foreign trade partner, with the exception of the USSR. The 1946 trade agreement provided for an exchange of 14 million dollars' worth of goods. The 1947 trade pact called for a total of 28 million dollars, but the actual volume approximated only 35 million marks. Trade exchanges for 1948 were scheduled to total 96 million dollars, whereas actual figures for that year amounted to approximately 138 million marks. The 1949 total is slated to reach 152 million dollars, an estimate which appears no more reliable than the figures slated for the preceding years.(1)

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Under the 1949 trade agreement, Poland is to supply coal, coke, benzene, naphthalene, cast iron, rolled metal products, zinc, foodstuffs (including fish, canned goods, poultry, eggs, etc.), and semimanufactures (1), while in return Soviet Zone Germany will ship chemical and pharmaceutical products and also, for the first time, machinery and equipment for the textile, chemical, leather, and polygraphic industries. Other German exports to Poland have included optical apparatus, precision instruments, typewriters and calculators, photographic equipment, and a variety of industrial and consumers' goods.(2)

The goods supplied by Germany have been of best quality, as specified in the agreement, and the Poles regard them very highly.(2)

Although Polish trade with East Germany has revived considerably, under USSR influence, the actual trading volume is still far below the level of East-West German trade prior to the blockade. Poland has not quite managed to supply Soviet Zone Germany with sufficient black coal to offset the discontinuation of such shipments from West Germany. Average monthly exports of Silesian black coal and black coal briquettes to East Germany approximated 32,000 tons in 1947, 95,000 tons during the first 6 months of 1948, and 150,000 tons during the last 6 months of that year, whereas until the interruption of interzonal trading, deliveries of Ruhr coal to Soviet Zone Germany had been approximately 100,000 tons per month.(1)

Czechoslovakia

In 1948, Czechoslovakia, ranking third among those countries carrying on trade with Soviet Zone Germany, furnished 9.6 percent of East Germany's imports and absorbed 10.3 percent of her exports, compared with 5.9 and 9 percent, respectively, in 1947. The 1948 trade agreement provided for an exchange of goods amounting to approximately 18 million dollars. The 1949 agreement calls for trade exchanges worth 44 million dollars (1), and developments during the first 6 months of 1949 indicate that the exchange of goods for the entire year will be three times that of 1948. At the beginning of 1949 a number of contracts were concluded within the framework of the supplemental trade agreement of 4 May 1948.(2)

Current East German imports from Czechoslovakia consist of steel, conveyor and V-belts, magnesite, naphthalene, various chemicals, machines and replacement parts, potatoes, and hops, as well as automobile, motorcycle, bicycle and tractor tires.(1) Ostrau black coal and coke were also among the chief items of export to Soviet Zone Germany. East German factories are now processing Czech cellulose.(2)

Soviet Zone Germany, in turn, supplies Czechoslovakia with cast iron, potassium and rock salts, ferroalloys, special machines, porcelain for the electrical industry, electric power, textile needles, motion picture and X-ray film, Igelit, etc.(1)

The quality of East German products is highly valued in Czechoslovakia. The various instruments and products of the precision and optical instruments industries are especially in great demand.(2)

Furthermore, Czechoslovakia is interested in obtaining various other chemicals and chemical products, such as buna, brown-coal tar, miscellaneous solvents (Elaol, Butanol, Palatinol, etc.).(2)

Bulgaria

The trade agreement with Bulgaria provides for an exchange of goods worth 6 million dollars, including Bulgarian shipments of ore, iron pyrites, oils and fats, charcoal, tobacco, rice, and seeds, and East German exports of machines, motor vehicles, optical instruments, incandescent bulbs, chemicals, and paper and textile goods.(1)

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Rumania

The trade agreement with Rumania, amounting to 4.3 million dollars, expires at the end of 1949. It calls for East German imports of meat, eggs, maize, flour, butter, mineral oils, fats, and hides and for exports of chemicals, electrical instruments, precision and optical instruments, and porcelain for the electrical industry.(1)

Hungary

The East German - Hungarian trade pact, which was to have expired 30 June 1949 but which has been extended to 30 September, calls for an exchange of goods worth 6 million dollars, a considerable increase compared with the previous agreement. During the first half of 1949, Hungary shipped manganese ore, motor oil, sulfuric acid, leather, hides and skins, and beef (1) in exchange for chemicals, film, industrial needles, mine timber, quartz sand, newsprint, glassware, etc.(2)

The present trade agreement is to be replaced by a much more comprehensive one. Special attention is to be given to products of the glass industry (Jena), the office machine industry, the paint and chemicals industries, the machine tool industry, the paper industry, etc. Hungary also requires mine timber, insulating materials, miscellaneous machine parts, and many other goods, and is in a position to offer large quantities of foodstuffs (meat, fruit, vegetables, etc.), seeds, railroad cars, electric motors, etc., in return.(2)

East German trade with other European countries is as follows:

Finland

On 28 September 1948, a trade agreement was concluded between Finland and Soviet Zone Germany, to last one year. The agreement calls for trade exchanges amounting to approximately 7 million dollars. While some of the import - export quotas were not used up, others were exceeded. On the whole, the development of Finnish-East German trade has been very satisfactory since the conclusion of the first trade agreement in 1947.(2)

Finnish shipments consist of paper, cellulose, wood pulp (mechanical), and paper scrap. Recently Finland has also been in a position to export pork, cheese, eggs, and other foodstuffs. In return she receives from East Germany machines and machine parts, chemicals, and metal goods. The quality of these products has been acceptable.(2)

Denmark

While trading between Denmark and Soviet Zone Germany has been on a barter (compensation) basis since the end of World War II, a regular trade agreement, effective for 1949, was signed by the two countries in December 1948 (2), involving trade exchanges worth 36 million Danish kroner of 25.12 million Deutsche marks (on the basis of exchange rates effective for the Leipzig Spring Fair). Denmark will ship foodstuffs, fodder, seeds, and insulin and will receive materials for the electrical industry, precision and optical instruments, machines, glassware, ceramics, and textiles.(1)

Norway

The February 1947 trade agreement with Norway, involving an exchange of goods worth over 12 million dollars, has been extended until the end of 1949, since little use was made of available quotas. During 1949, Norway is to supply fresh and salt fish, fish oil, iron pyrites, solidified whale oil, industrial fats, cellulose, fluor spar, lime, quartz, mica, and talc, in exchange

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for potassium salts, sodium sulfate, loam and fire-resistant clay, medical products, mechanical precision instruments, textiles, electrical equipment, photographic and motion-picture film, wooden staves, and other goods.

Sweden

East Germany's trade agreement with Sweden expires 30 June 1949 and calls for trade exchanges worth 25 million dollars. Under its terms, Sweden will supply fresh and salt herring, fresh codfish, iron pyrites, tanning agents, industrial oils, chemicals, sulfate cellulose, and paper, as well as chrome, nickel, tungsten, and molybdenum wire, and high-grade steel, in exchange for kaolin, loam, potassium salts, chemicals, industrial glass, porcelain, materials for the electrical industry, precision and optical instruments, machines, etc.(1)

The Netherlands

The Netherlands was the first West European country to conclude a trade agreement with Soviet Zone Germany. This agreement, signed in 1947, was renewed and expanded in 1948 and has formed a satisfactory basis for the mutual exchange of goods.(2)

The current trade agreement with the Netherlands expires 30 June 1949 and provides for trade exchanges worth 10 million Dutch guilders.(1) There is a continuous exchange of potash and superphosphate amounting to over 100,000 tons on each side. Processing transactions involving the exchange of textile raw materials from the Netherlands against textile products from the Soviet Zone are also in progress, as are barter deals providing for the exchange of Dutch vegetables and salt herring for consumers' goods and textiles produced by Central German industry.(2)

The Netherlands' chief interest is in production equipment and in products of the mining and basic chemicals industries. There is less interest in consumers' goods. The imports have been paid for mainly with agricultural and deep-sea-fishing products. The Netherlands is also in a position to furnish important basic industrial materials. The chief items desired by the Netherlands as imports are machines and replacement parts for use in the polygraphic, food-processing, and tobacco industries; sewing machines, office machines, fixtures, plumbing and electrical installations, and glass and ceramic products, primarily for industrial purposes.(2)

Soviet Zone Germany wants chiefly industrial raw materials and foodstuffs, but there has been practically no demand for imports of finished goods. Reportedly the new trade agreement will also provide for trade exchanges of so-called nonessentials.(2)

The Netherlands has set up a trade mission for Germany in Berlin, as a further step toward facilitating trade relations between the two countries. It is expected that the Soviet Military Administration will give this organization every possible support.(2)

Switzerland

Foreign trade for 1949 between Switzerland and East Germany will be governed by the protocol of 1 December 1948. Since the lifting of transportation restrictions, trading between these two countries has shown a definite upward trend. East Germany supplies Switzerland with industrial glass and porcelain, household porcelain, toys, musical instruments, machines, machine parts, electric bulbs, medical equipment, artificial flowers, limited quantities of wood and briquettes, and certain basic substances for the chemical

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industry, as well as some intermediate chemical products. Switzerland's most essential exports to East Germany are dyes, pharmaceuticals, various grades of wire, watches, and food products, such as cheese, milk products for children, wines, fruit, etc.(2)

Italy

Trade exchanges with Italy, amounting to over one million dollars, are also provided for. Italy will supply East Germany with foodstuffs, pyrites, hemp, mercury, and sulfur, in exchange for machines, special chemicals, glassware and pottery, musical instruments, and dyestuffs.(2)

Yugoslavia

The East German-Yugoslav trade agreement, which has not been extended or renewed, provided for an exchange of goods totaling 11 million dollars, while the first East German-Yugoslav trade pact called for exchanges amounting to only 6 million dollars. Yugoslav shipments are to include crude iron, rolled steel, copper, lead, chrome ore, iron pyrites, magnesite, glycerine, hemp, hides, tobacco, and olive oil, against imports of machines, optical goods, thermometers, porcelain for the electrical industry, firebricks, etc. (1)

Table 1. East Germany's Foreign Trade in 1948* (1)
(by value)

<u>Imports</u>	(%)	(%) -
East European countries		78.6
Including Poland	21.3	
Czechoslovakia	10.4	
Soviet Union	45.8	
Other European countries		21.1
Including Belgium, Luxembourg	6.0	
Netherlands	6.2	
Norway	2.1	
Austria	3.6	
Overseas countries		0.3
<u>Exports</u>		
East European countries		69.5
Including Poland	30.9	
Czechoslovakia	12.2	
Soviet Union	22.1	

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Table 1 (Contd)

<u>Exports</u>	<u>(%)</u>	<u>(%)</u>
Other European countries		30.0
Including Belgium, Luxembourg	1.5	
Denmark	1.8	
Great Britain	3.6	
Netherlands	10.5	
Norway	3.0	
Austria	1.5	
Sweden	2.9	
Switzerland	4.6	
Overseas countries		0.5

*The foreign trade volume of countries not specifically mentioned was negligible.

Table 2. Comparison of East Germany's Foreign Trade With Total Output (1)

The following table reflects the small volume of Soviet Zone Germany's foreign trade compared with her total output and with reparations shipments and interzonal trade, prior to the interruption of East-West German trade relations.

	<u>1947</u> (in million marks)	<u>1948</u>
East German imports	55.4	309.9
East German exports	143.4	243.3
Approximate value of net industrial production, including mining and Soviet corporations	(in billion marks) 4 - 5	4.6 - 5.6
Reparations shipments, including deliveries to the Occupying Power and hidden reparations, especially goods exported by Soviet trading companies	2.25 - 2.75	2.25 - 2.75
Interzonal trade exchanges, including transactions not covered by specific agreements	(in million marks) 300 - 400	600 - 800*

*Estimated on the basis of uninterrupted interzonal trading.

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Table 3. East German Imports (1)
(in million marks)

	<u>1946</u>	<u>1947</u>		<u>1948</u>	
		<u>Jan-Jul</u>	<u>Jul-Dec</u>	<u>Jan-Jun</u>	<u>Jul-Dec</u>
Total imports	30.4	26.1	29.3	87.4	222.5
Eastern Europe	20.2	30.9		243.6	
Other parts of Europe	10.2	22.7		65.3	
Overseas countries	--	1.8		0.9	
Imports by countries					
Poland	18.5	11.3	15.4	30.0	33.0
Czechoslovakia	1.7	0.7	2.6	11.8	20.3
USSR	--	0.8		141.9	
Belgium, Luxembourg	--	--		18.5	
Netherlands	--	4.6	2.3	12.6	6.6
Norway	1.9	1.1	2.7	3.9	2.6
Austria	8.1	5.8	3.0	5.8	5.3
Switzerland	0.1	0.6	0.9	1.0	--

Table 4. East German Exports (1)
(in million marks)

	<u>1946</u>	<u>1947</u>		<u>1948</u>	
		<u>Jan-Jun</u>	<u>Jul-Dec</u>	<u>Jan-Jun</u>	<u>Jul-Dec</u>
Total exports	39.5	32.0	111.4	100.8	142.5
Exports to Eastern Europe	37.5	26.6		168.5	
Other parts of Europe	--	115.3		72.5	
Overseas countries	--	1.6		1.1	

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Table 4 (Contd)

	<u>1946</u>	<u>1947</u>		<u>1948</u>	
		<u>Jan-Jun</u>	<u>Jul-Dec</u>	<u>Jan-Jun</u>	<u>Jul-Dec</u>
Exports by countries					
Poland	23.3	2.8	5.7	36.2	39.0
Czechoslovakia	14.2	4.5	8.3	17.4	12.2
USSR	--	0.0		53.7	
Belgium, Luxem- bourg	--	4.9		3.7	
Denmark	0.5	3.3	6.5	3.0	1.4
Great Britain	--	0.8	10.8	6.0	2.7
Netherlands	--	1.4	9.0	13.9	11.7
Norway	--	7.3		7.2	
Austria	--	0.3		3.6	
Sweden	--	8.0		7.1	
Switzerland	0.3	9.4	52.1*	6.3	4.9

* 48.7 during September 1947

SOURCES

1. Frankfurt/Main, Europa Archiv, 20 Jun 1949
2. Berlin, Die Wirtschaft, 15 Aug 1949

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